

# Financial Records and Reporting

## Revenues and Expenses

### SNACS Revenue and Expenses

Beginning with school year 2003-2004, a new on-line system, the School Nutrition Automated Claim System (SNACS), was made available to all school food authorities in South Carolina for claiming federal reimbursement monies. The design of the system includes three major components:

- (1) profile and operational data/information collection,
- (2) the claims process, and
- (3) the submission of monthly revenue and expense data.

Section 8E in the Procedures Manual addresses the latter.

School Food Service Funds are subject to audit and have prescribed limitations on how such funds may be used and maintained. Revenues received by the nonprofit school food service must be used solely for the operation or improvement of such food service. Revenues are defined as "all monies received by or accruing to the nonprofit food service program including but not limited to student payments, earnings on investments, other local revenues, state revenues, and federal cash reimbursements."

Regulations also require that the program remain nonprofit. State agencies are required to monitor the fund balance for each school food authority to ensure that fund balances do not exceed three operating months or three months' expenditures. A fund balance is defined as "all monies that are available to or have accrued to a school food authority's nonprofit food service program at any given time, less payables." The School Nutrition Automated Claim System (SNACS) automatically monitors nonprofit status through the school food authority's Revenue and Expenses submission on a monthly basis. If the three-month limit is exceeded, the school food authority (SFA) is notified and plans for the use of such excesses must be initiated or excessive balances returned

to the United States Department of Agriculture (USDA).

The following Revenue and Expense items are defined and appropriately linked to the General Ledger as maintained in local school districts. The order and sequence of items reflects the SNAC system as it is currently designed screen by screen.

Although chart of accounts references\* pertain strictly to public schools, the data requested is generic to all school food authorities operating school meal programs. To the extent revenue and expense data is available, this information must be input into the SNAC system no later than the final day of the month following the reporting period. For example, the revenue and expenses for the January claim period should be entered by February 28. This allows for the State Agency (SA) to monitor the financial status and reporting as required for the federal-funded meal programs on a continuous basis. State agencies are not only responsible for monitoring use of funds and nonprofit status but for the overall prudent management of school meal programs and assurance of a certain level of service delivery to the student customer.

\* Note that all "Chart of Accounts" references reflect the 2003-2004 Accounting Handbook Update issued November 21, 2003.

## SNAC Screen One Under Revenue and Expenses–Revenue Tab

**Earnings on Investments:** Includes (1) interest received on temporary or permanent investments in United States Treasury bills, notes, bonds; savings accounts; time certificates of deposit; notes; mortgages; or other interest-bearing obligations, (2) dividends received on stocks, and (3) gain or loss on sale of investments.

1510 Interest on Investments

1520 Dividends on Investments

1530 Gains or Losses on Sale of Investments

**Lunch Sales to Students:** 1610 Income received from sale of lunches to students.

**Breakfast Sales to Students:** 1620 Income received from sale of breakfasts to students.

**Special Sales to Students:** 1630 Income received from sale of extra food items to students including milk and all a la carte activity.

**Lunch Sales to Adults:** 1640 Income received from sale of lunches to adults.

**Breakfast Sales to Adults:** 1650 Income received from sale of breakfasts to adults.

**Special Sales to Adults:** 1660 Income received from sale of extra food items to adults.

**Refund Prior Year's Expenditure:** 1950 Money received in refund of expenditure charged to a prior fiscal year's budget. A refund of expenditure made in the same fiscal year budget would be recorded in the appropriate expenditure account as a reduction of the expenditure.

**Transfer from Other Funds:** 1960 Money received unconditionally from other funds without expectation of repayment.

**Other–Local Revenue:**

- 1910 Rental–Money received from the rental of school property, real or personal. It does not include rental from real property held for income purposes; this income is recorded under 1500 Earnings on Investments.
- 1920 Contributions and Donations from Private Sources–Money received from a philanthropic foundation, private individuals, or private organizations for which no repayment or special service to the contributor is expected.
- 5300 Sale of Fixed Assets–Revenue from the sale of school property or realized from loss recoveries of school property.
- 1999 Miscellaneous–Other revenue from local sources not covered in listed or identified revenue accounts.
- 1992 Canteen Operations–Money received from canteen operations managed and administered by school food services.
- 1993 Receipt of Insurance Proceeds
- 1994 Receipt of Legal Settlements

**Local Appropriations:** Revenue from County Appropriations.

- 2000 Intergovernmental Revenue
- 2100 Payments from other Governmental Units
- 2200 Payments from Public Charter Schools

**State Funds:** Includes payment received for Supervisor’s Salary and Program Aid on an annual basis from state funds for School Lunch Program Aid.

- 3999 Revenue from Other State Sources

**USDA Reimbursement:**

- 4810 School Lunch and Afterschool Snack Programs–Income received as USDA reimbursement
- 4830 School Breakfast Program–Income received from USDA
- 4850 Cash in Lieu of Commodities–Income received from USDA in lieu of commodity foods

**Other Federal Revenue:** 4999 Income received from other federal sources.

**USDA Commodities:** 4991 Value of USDA Commodities received during the period.

**Total Revenues:** Revenues for the reporting period are automatically totaled for you.

## SNAC Screen Two Under Revenue and Expenses–ExpensesTab

Abbeville 60 - March 2003 - 2004			
Salaries:	43836.04	Commodity Distribution Charge:	321.20
Employee Benefits:	18464.00	Equipment:	0.00
Purchased Services:	3755.94	Depreciation:	0.00
Supplies:	7491.47	Sales Tax:	274.00
Inventory Loss:	0.00	Other Objects:	107.25
Purchase Food:	62051.04	Transits/Fund Modifications:	0.00
USDA Commodities:	0.00	Indirect Cost Transfer:	0.00
<b>Total Expenses:</b>		<b>\$136,300.94</b>	

Save

Revenue Expense Info Selected

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**Salaries:** 100 Includes regular, temporary, and overtime salaries as defined below:

- 110 Regular salaries are full-time and part-time costs for work performed by school district employees who are considered to be in permanent positions.
- 120 Temporary salaries are full-time and part-time costs for work performed by school district-hired temporary or substitute employees hired in positions of either temporary or permanent nature.
- 130 Overtime salaries represent money paid to school district employees working in either permanent or temporary positions who perform work in addition to normal work periods.

**Employee Benefits:** 200 Fringe benefit amounts paid by the school food service fund in behalf of employee (over and above the state allocation). Includes:

- 210 Group Health and Life Insurance,
- 220 Employee Retirement,
- 230 Social Security,
- 260 Unemployment Compensation Tax, and
- 290 Other.

**Purchased Services:** 300 Amounts paid for personal services rendered by personnel who are not on the payroll of the school district and other specialized services which the district may purchase. For food service, this refers to services not included in the indirect cost rate and that are a direct cost to food service. Purchased services that are part of the indirect cost for school food service must be paid from the General Fund.

- 315 Management Services—Amounts paid for personal services performed by persons not on the school district payroll such as contracted food service management.

- 321 **Public Utility Services**—Expenditures for services usually provided by public utilities such as water, sewage, garbage collection. This includes those same services whether the utility company is public or private. (Costs for telephone, telegraph, and energy services are not included here.) Telephone and other communication services should be reported as 340 Communications and energy services such as natural gas, oil, and electricity are considered 400 Supplies.
- 322 **Cleaning Services**—Expenditures for services purchased to clean buildings (other than those provided by school district employees).
- 323 **Repairs and Maintenance Services**—Expenditures for services not provided by school food service personnel and that are not included in the district's indirect cost rate.
- 324 **Property Insurance**—Expenditures for insurance on food service property owned or leased by the school district.
- 325 **Rentals**—Expenditures for leasing or renting equipment for both temporary and long-range use.
- 329 **Other Property Services**—Property services not classified in categories listed.
- 332 **Travel**—Expenditures for transportation, meals, hotel, and other expenses associated with traveling on business for the school district. Payments for per diem in lieu of reimbursements for subsistence (room and board) are also charged here.
- 340 **Communication**—Expenditures for services provided by persons or businesses to assist in transmitting and receiving messages or information. This category includes telephone and telegraph services.
- 350 **Advertising**—Expenditures for printed announcements in professional periodicals and newspapers or announcements broadcast by radio and television networks.
- 360 **Printing and Binding**—Expenditures for printing and binding, usually according to specifications of the school district. This includes the design and printing of forms and posters as well as printing and binding of school food service publications.

**Supplies:** 400 Supplies and Materials including energy costs

- 410 Expenditures for supplies for the school food service program
- 445 **Technology and Software Supplies**—Expenditures for technology items and supplies used to support technology equipment. Included are expenditures for non-capitalized technology items, video tapes, CD's, surge protectors, printer cartridges, etc.
- 470 **Energy**—Electricity, gas, oil, and other heated fuels if direct billed to school food service and on a separate meter only.

**Inventory Loss:** 450 Expenditures that are the result of a deficit or loss usually found in an audit or count of items held in a warehouse or storage area inventory. Only losses are charged to this account.

**Purchased Food:** 460 Expenditures for food purchases and commodity process fees. Note that rebates for processed product are a "refund of an expenditure" and must be credited to that account.

**USDA Commodities:** 461 Because of the change in USDA commodity identification and treatment as purchased food upon receipt, this item is defined as cash value of USDA Commodities received during the period. The USDA Commodity entries for revenues and expenditures are now the same since a separate value of commodity inventory used during a reporting period is no longer required nor maintained. Thus a "wash" is created to balance the ledger while still documenting all food used each period. Food used represents both purchased and commodity foods combined as one reporting item.

**Commodity Distribution Charge:** 462 Expenditures for distributor charges for handling (storage and delivery) of USDA commodities.

**Equipment:** 540 Expenditure for expendable equipment or equipment and supply items that cost less than \$5000.

**Depreciation:** 570 The amount reported is the portion of the cost of a fixed asset (i.e., non-expendable equipment) which is charged as an expense during a particular period. As such, depreciation represents the reasonable allowance for the deterioration, wear and tear, and obsolescence of non-expendable equipment used in school food service operations. Non-expendable equipment is further defined as equipment exceeding \$5000 in unit cost.

The initial cost and installation fee for a piece of equipment are considered when determining unit cost. Only those fixed assets exceeding the \$5000 unit cost are added to the depreciation schedule.

In terms of food service equipment, the rate of depreciation is based on a monthly depreciation factor of .007 applied to the total cost of the piece of equipment and depreciated over the period of 12 years. The monthly depreciation value can also be calculated by dividing the equipment cost by 144 (12 years x 12 months). The 12-year depreciation schedule applies to all food service equipment with an original unit price of \$5000 or more. Automotive and computer equipment are depreciated for 6, 5, or 4-year periods dependent on the type and unit cost of equipment. The monthly depreciation rates used in the district for automotive and computer acquisitions should be applied. In most cases, computer and related technology equipment unit costs are below \$5,000 and will be treated as expendable equipment for reporting purposes and not depreciated.

**Sales Tax:** 670 Expenditures for sales tax on adult sales paid to the S.C. Department of Revenue.

**Other Objects:** 600 Amounts paid for goods and services not included in the above expenditure classifications.

640 Dues and fees—Expenditures or assessments for membership in professional or other organizations or associations.

690 Other—Amounts paid for all other expenses that are not listed.

**Transits/Fund Modifications:** 700 Object category is used to show transactions where money has been transferred from one fund to another or for transmitting flow-through funds.

425/710 Fund Modifications—Represents transactions conveying money from one fund to another. Normally, this takes the form of payments from the General Fund to some other fund.

410/720 Transits—This category represents transactions that are transit or flow-through in nature. Object is used in conjunction with payments to the State Department of Education or other governmental units.

**Indirect Cost Transfer:** 432/791 Indirect costs actually transferred from the Food Service Fund to the General Fund during the reporting period. The actual amount cannot exceed the District Indirect Cost that has been calculated and automatically entered as the final item under the Summary tab screen in SNACS.

**Total Expenses:** SNACS will automatically total all reported items on screen two (Expenses Tab).



### SNAC Screen Three Under Revenue and Expenses–Summary Tab

**Fund Balance BOM (Beginning of Month):** This is the fund balance brought forward from the preceding month. The fund balance at the beginning of the school year (July 1) should be the audited fund balance as of June 30th. Audit adjustments must be made on the June claim each year for the appropriate rollover of the fund balance from one school year to the next year.

**Revenue:** Revenues received for the current reporting period as recorded directly from the General Ledger.

**Total:** Beginning of Month Fund Balance **plus** Revenue

(-)-minus

**Expenses:** Total expenses for the reporting period

(=)equals

**Fund Balance EOM (End of Month):** This ending fund balance will be rolled over automatically as the BOM Beginning of the Month Fund Balance for the next reporting period.

**Expenditure for Non-Expendable Equipment:** 540 Expenditures for non-expendable (accountable) equipment and for installation and sales tax that are part of the acquisition cost. Non-expendable equipment is that costing more than \$5,000 and having a useful life of more than one year. 550 Vehicles (with the exception of passenger vehicles) that will be used in the operation of the food service program are considered accountable equipment for purposes of depreciation and are expensed as depreciated.

All equipment expenditures included here are considered accountable and must be added to the depreciation schedule as fixed assets.

**State Costs:** As reported in this item, state costs are the employer contributions for Health Insurance, Dental Insurance, State Retirement, and Social Security (FICA) paid for food service personnel **from the state allocation for fringe benefits** provided to school districts. Rates for determining these amounts are subject to change and notices of such changes are sent to the districts as they occur. When the state allocation is exhausted, the food service fund can be used to pay a proportionate part of the fringe benefit shortfall for food service employees. The shortfall amount from food service funds is not reported here but rather is reported under food service fund “expenses” as “fringe benefits.”

**SFA Indirect Cost Rate:** Entered at the SA each school year. Reflects the school food authority’s assigned indirect cost rate for the food service program. Indirect cost was designed to pay costs to a school district that cannot be identified as a direct cost to a specific program and thus, are considered shared costs, i.e. utilities, payroll, accounting, computer services, repair and maintenance, etc. These costs are normally incurred and paid by the General Fund for all district operations and programs. The indirect cost rate for food service was established to allow school districts to recover a portion of these operational costs that could be attributed to the food service program.

Costs not included in the indirect cost rate would be direct costs that are allowable and identified specific to the food service program. Certain prorated direct expenditures are also not included in the indirect rate. Any prorated expense charged to the food service fund must be fully documented and defensible in terms of reason and equity.

**District Indirect Cost:** The value of indirect costs transferred from the food service fund to the district is determined by the annual assigned indirect cost rate for school food service. As indicated under the SFA Indirect Cost Rate explanation, the indirect cost rate for school food service represents shared costs for overhead operations such maintenance, electricity, computer services, etc. that cannot be specifically identified to food service. Costs included in the rate may not be directly expensed to food service.

To determine the actual indirect costs that may be transferred, the following calculation is made automatically by SNACS and entered here. The assigned indirect cost rate for food service is multiplied times the sum of salary expenses **plus** employee benefits (shortfall only after the state allocation has been exhausted) **plus** purchased services **plus** other objects. The maximum amount that can be recovered will be indicated in the SNACS Revenue and Expenses application each reporting period under the “Summary” tab with the indirect cost rate. The actual transfer amount reported if entered as an “expense” item will be compared to the SA-computed maximum to ensure that indirect costs are not inappropriately assessed if transferred from the food service fund on a monthly basis.



### SNAC Screen Four Under Revenue and Expenses–Operating Balance Tab

**Cash Balance EOM (End of Month):** This includes cash on hand, in the checking account, savings account, and investments, etc.

**Plus Accounts Receivable:** Enter the total amount of USDA reimbursement due but not yet received and amount due from other sources.

**Plus Food and Supply Inventory:** Enter the end of month value of the food inventory (purchased plus USDA commodities) plus the supplies inventory.

SNACS will automatically combine for **Total:**

**Less Accounts Payable:** Enter total amount of any unpaid bills/invoices at the end of the month, plus all other outstanding liabilities that could affect your cash balance.

SNACS will compute and provide the **Operating Balance:** The operating balance is then compared to total expenses to ensure nonprofit status. Excessive balances will be flagged and notifications made via SNACS to the appropriate school food authorities.

### SNAC Screen Five Under Revenue and Expenses–Operating Inventory Tab

**Cost of Food Used:** Includes value of all food (purchased and USDA commodities) used during the reporting period. Value of ending inventory from previous month plus value of food received during the month or reporting period is compared to the end of month inventory of food.

**Cost of Supplies Used:** The same comparison is made for supplies based on beginning and end of month inventories and value of supplies purchased and received during the reporting period.

A Total Food and Supply Inventory value is calculated by the SNACS to be carried over and entered into the Operating Balance calculation.

### SNAC Screen Six Under Revenue and Expenses–Breakfast Program Tab

**Cost of Labor Used:** This figure represents the total cost of labor used in the School Breakfast Program for all schools in the district or school food authority during the reporting period. It does not impact full cost accounting for severe need funding other than providing supportive documentation for qualifying schools.

**Cost of Food Used:** Derived on a separate basis for breakfast, this cost can then be subtracted from the total value of food used during the month for calculating a per meal or total cost of food for lunch.

## ***Important Point!***

To monitor food and labor costs by program for all schools or sites, it is critical that financial information be maintained by the SFA. The exact format for obtaining costs is not prescribed; however, administration must set standards for meal costs for labor and food and monitor such standards in order to fully manage the meal programs. A system for making cost comparisons and adjustments as needed is also critical to a well-managed food service program.

As part of the reporting and monitoring process, the Revenue and Expenses component of the School Nutrition Automated Claim System is designed to capture critical information needed for financial oversight and management of the program. This information should be completed on a timely basis and, for school districts, must reflect General Ledger entries. For Residential Child Care Institutions and Private/Parochial Schools, entries must support the use of federal reimbursement funds received.

**Notes:**